

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL**

FOR: HEALTH CARE FINANCING ADMINISTRATION

1. TRANSMITTAL NUMBER:

03 - 009

2. STATE:

Vermont

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL
SECURITY ACT (MEDICAID)

4. PROPOSED EFFECTIVE DATE

7/01/03

TO: REGIONAL ADMINISTRATOR
HEALTH CARE FINANCING ADMINISTRATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES

5. TYPE OF PLAN MATERIAL (Check One):

☐ NEW STATE PLAN☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN☒ AMENDMENT

COMPLETE BLOCKS 8 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:

42 CFR 447 SubpartC

7. FEDERAL BUDGET IMPACT:

a. FFY 03 \$ 1,523.859

b. FFY 04 \$ 4,526.561

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Att. 4.19A page 1a - 1c (03-09)

1a - 1c-2

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION
OR ATTACHMENT (If Applicable):

Att. 4.19A page 1a - 1d

10. SUBJECT OF AMENDMENT:

/ Revision of inpatient hospital reimbursement method.

11. GOVERNOR'S REVIEW (Check One):

- ☐ GOVERNOR'S OFFICE REPORTED NO COMMENT
☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

☐ OTHER AS SPECIFIED:

12. SIGNATURE OF STATE AGENCY OFFICIAL:

13. TYPED NAME:

Myra Kirby Charles P. Smith

14. TITLE:

Secretary, Agency of Human Services

15. DATE SUBMITTED:

9/9/03

16. RETURN TO:

Roxanne Doty
 VT Dept. of PATH
 103 South Main Street
 Waterbury, VT 05671-1201

FOR REGIONAL OFFICE USE ONLY	
17. DATE RECEIVED	18. DATE APPROVED
SEP 17 2003	SEP 17 2003
PLAN APPROVED - ONE COPY ATTACHED	
19. EFFECTIVE DATE OF APPROVED MATERIAL	20. SIGNATURE OF REGIONAL OFFICIAL
JUL - 1 2003	Dennis G. Smith
21. TYPED NAME	22. TITLE
Dennis G. Smith	Director, CMSO

23. REMARKS:

Pen + ink change to block # 8

**METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES -
INPATIENT HOSPITAL CARE**

General Hospitals

Effective for services provided on or after July 1, 2003, the Vermont Medicaid Program will reimburse all general hospitals (See 18 V.S.A. §1902) at all-inclusive, prospective, per diem rates.

Vermont General Hospitals

Base Rates

The costs of all Vermont general hospitals and out-of-state general hospitals receiving Medicaid payments during state fiscal year 1992 of \$ 100,000 or more formed the basis for the first prospective all-inclusive, per diem rates. Base year costs reported by those hospitals were identified. Categories of cost included in that rate setting methodology were those related to routine services (including malpractice costs and medically necessary private room costs), ancillary services, capital, and direct medical education. The 1989 fiscal year was the initial base year and has been inflated in successive years to state fiscal year '03. The all-inclusive, prospective, per diem rates are set by peer group and by accommodation type.

Peer Groups

Three peer groupings have been established for the reimbursement system. The peer groups are:

- Teaching hospitals
- Non-teaching hospitals with 80 beds or more
- Non-teaching hospitals with fewer than 80 beds

Teaching hospital status is determined based on information published by the American Hospital Association or other reliable source. Bed size will be determined by licensed capacity or by a finding of fact by the Program Director.

Effective July 1, 2003, a new Critical Access peer group shall be established. Porter Medical Center, Mount Ascutney, Gifford and Grace Cottage Hospitals will be shifted from the less than 80 bed peer group to this new group. The all-inclusive per diem rates for the medical/surgical, nursery and intensive care units of each hospital in the Critical Access peer group shall be set at new levels that reflect critical access hospital costs as would be determined by Medicare reimbursement principles and shall be known as the '04 base rates.

(Continued)

**METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES -
INPATIENT HOSPITAL CARE (CONTINUED)**

Accommodation Types

Reimbursement rates have been established for four accommodation types: medical/surgical, nursery, intensive care unit, and other intensive care unit. A fifth accommodation type, psychiatric care, has been established for Vermont hospitals specifically designated by the Commissioner of Developmental and Mental Health Services.

Rate Change

Effective July 1, 2003, the base rate for each accommodation type in the non-teaching-hospital-with-80-beds-or-more peer group shall be increased by 5%.

Add-on Payment

Effective July 1, 2003, all Vermont hospitals except the critical access peer group shall be granted an add-on payment amount specific to each accommodation type as follows:

Service	% Rate Increase
M/S	47.0%
Nursery	36.0%
ICU	30.0%
ICU-Other	80.0%
Psych	24.0%

These increases will not affect or be included in the base rate when calculating future inflation increases.

Inflation Adjustments

In future years, the fiscal year '04 base rates may be as follows:

(Reserved for future use.)

(Continued)

TN # 03-09
Supersedes
TN # 99-15

Effective Date: 07/01/03

Approval Date: AUG 17 2004

**METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES -
INPATIENT HOSPITAL CARE (CONTINUED)**

Non-Vermont General Hospitals

All out-of-state hospitals are reimbursed by accommodation type at the out-of-state base rate established for the three peer groups (excluding the Critical Access group) in which the hospital would be classified by teaching status or bed size. Effective 10/1/03, the out-of-state base rates for SFY04 shall be the same as the median rates for SFY03. All out-of-state critical access hospitals are reimbursed by accommodation type at the out-of-state rate for the non-teaching hospital with less than 80 beds peer group.

The methodology described above does not preclude the program from reimbursing non-Vermont hospitals providing unusual and highly complex services (such as transplants) that are not available in Vermont or border teaching-hospitals. Such services may be reimbursed on a negotiated rate basis.

All General Hospitals

For Medicaid beneficiaries with Medicare eligibility as well, payment is made to providers in an amount determined by Medicare to cover coinsurance and deductible amounts remaining after Medicare payment.

Payments made pursuant to these methods and standards will be deemed to be payment in full for services provided and the hospitals may not bill, or otherwise collect from, the beneficiary or anyone acting on his/her behalf any supplemental amount.

Swing bed, waiting placement and inappropriate level of care days are reimbursed at a per diem rate established by the Division of Rate Setting equal to the average statewide rate per patient day paid for services furnished in nursing facilities during the previous calendar year.

(Continued)

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**METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES -
INPATIENT HOSPITAL CARE (CONTINUED)**

Inpatient Psychiatric Facility Services – State Institutions

Reimbursement will be made at per diem rates established for the Vermont State Hospital based on reasonable costs. Interim rates are established by the Department of Developmental and Mental Health Services and adjusted at year end.

Inpatient Psychiatric Facility Services – Non-public Facilities

For services provided to individuals under age 22 at the Brattleboro Retreat, the all-inclusive, prospective per diem rate is \$1204.04.

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